

SENT TO COUNCIL

MAR 16 2000



# Memorandum

**TO:** Honorable Mayor and City Council

**FROM:** Alex Sanchez  
Director of Housing

**SUBJECT:** SEE BELOW

**DATE:** March 10, 2000

Approved

Date

**COUNCIL DISTRICT: Citywide**

## **INFORMATION ONLY**

**SUBJECT: REPORT ON ACTIVITIES UNDERTAKEN BY THE DIRECTOR OF HOUSING UNDER THE DIRECTOR'S DELEGATION OF AUTHORITY**

## **BACKGROUND**

On September 4, 1990, the City Council adopted Ordinance No. 23589, which delegated to the Director of Housing certain specified authorities in the administration of the City's comprehensive affordable housing program (the "Delegation of Authority"), codified in Chapter 5.06 of the Municipal Code. On November 9, 1993, the Delegation of Authority was amended by Ordinance No. 24500 to clarify certain sections and add several other provisions.

The Department is required to report to the City Council on these activities on an annual basis. The subject report covers the period from January 1, 1999 to December 31, 1999.

## **ANALYSIS**

The Delegation of Authority ordinance authorizes the Director of Housing to make independent actions including: making certain technical amendments to project loans previously approved by the City Council; curing loan defaults, foreclosures, or writing off uncollectable loans; applying for Federal and State funding assistance; changing the terms and conditions on established loans; disbursing monies from the Housing and Homeless fund; and entering into and executing housing rehabilitation and home improvement contracts.

Under these parameters, the Director of Housing has taken the following actions:

**Amendments to Housing Loans:**

Villa Savannah Family Apartments: On March 30, 1999, the 55-year Affordability Restrictions for the Villa Savannah Family Apartments project were amended. The modification provided for two unrestricted manager's units, leaving 110 units affordable to low-income households and 28 units affordable to very low-income households.

Stonegate Family Apartments: On March 30, 1999, the 55-year Affordability Restrictions for the Stonegate Family Apartments project were amended. The modification provided for two unrestricted manager's units, leaving 94 units affordable to low-income households and 24 units affordable to very low-income households.

Craig Gardens (Bascom and Elden): On May 17, 1999, the CDBG Predevelopment loan to First Community Housing for the Bascom and Elden site (now Craig Gardens) was approved in the amount of up to \$100,000 according to the CDBG guidelines adopted by the City Council on April 23, 1991. Under the current proposed affordability structure, 89 of the units will be available to persons or families of very low-income with one unrestricted manager's unit.

Innvision 184 South Eleventh Street SRO: On July 8, 1999, the Construction and Permanent loan agreement for the Innvision 184 South Eleventh Street SRO project was revised. A total of \$47,000 in soft costs was approved to be added to the loan, creating a new loan amount of \$757,000. The increased funding took the place of funds committed to the project from the City's CDBG Program that would not be available until Fiscal Years 1999-2000 and 2000-2001. The CDBG funds are to be used to pay down the City's loan once dispersed.

Italian Gardens Family: On July 9, 1999, the Acquisition and Construction loan for the Italian Gardens Family project was amended. The City's loan was increased \$441,000 to a total of \$4,851,000 to cover off-site improvement costs shared with an adjacent project already under construction. These expenses were to be paid out of other construction funding, however the construction start date was delayed while the project waited for a 9% Tax Credit allocation. The term of the City's note was also extended by 24 months as a result of the delay.

Paula Street Apartments: On July 12, 1999, the \$1,710,000 approved Permanent loan on the Paula Street Apartments project was reduced to \$1,497,387 to reflect the correct pay-off of the existing City loan, which had been refinanced with tax-exempt bond funds with zero interest loan terms. Additionally, the first residual receipt payment was deferred to occur in the calendar year beginning 2002, rather than in year 2000 as stated in the staff report, to reflect the proforma referenced in the report to Council.

Las Mariposas (Sunshine Nursery Site): On July 20, 1999, the CDBG Predevelopment loan to Mexican American Community Services Agency for site control costs on the Sunshine Nursery site (now part of the Las Mariposas project) was approved in the amount of \$15,000 according to the CDBG guidelines adopted by the City Council on April 23, 1991. Under the current proposed affordability structure, 6% of the units will be available to persons or families of very low-income and 94% of the units will be available to persons or families of moderate income.

Siena Court: On September 28, 1999, the Construction and Permanent loan for the Siena Court project was changed as follows: the amount of developer equity investment to be repaid prior to the City's repayments increased from \$282,339 to \$500,000; sales expenses to cover commission and title fees incurred by the developer increased from \$5,000 to \$7,500 per transaction; the total amount of debt senior to the City's loan increased from \$3,630,172 to \$3,890,000, which reflects an increase in the Wells Fargo construction loan; and the need for a contractor performance bond was waived based on the extensive development and construction experience of Green Valley Corporation and Barry Swenson Builders.

Creekview Inn (King Road Inn SRO): On October 25, 1999, the Permanent business terms for the King Road Inn SRO (now known as Creekview Inn) were amended. The loan maturity date was increased from 30 to 40 years and the interest on the loan was changed from 4% compounded to 4% simple interest. The changes resulted from a request by the tax credit investor in an effort to retain the tax credit basis and subsequent equity calculation.

Siena Court: On November 3, 1999, the Acquisition and Rehabilitation loan maturity date on the Siena Court project was extended from September 11, 1999 to November 30, 1999. The need for the modification was to provide time for the Wells Fargo Bank construction loan to close concurrently with the City's Construction and Permanent loan rolling over into second mortgages.

Piedmont and Sierra Senior Apartments: On December 21, 1999, the term on the City's Construction loan for the Piedmont and Sierra Senior Apartments was extended from 18 months to 27 months. The need for this modification was to provide consistency between the City's loan documents and the Mid Peninsula Bank construction loan documents.

**Loan Defaults, Foreclosures and Write Offs:**

None for this period.

**Federal or State Funding Assistance:**

SHAPSS Grant: On June 1, 1999, the Director of Housing submitted to the United States Department of Housing and Urban Development (HUD) an application for a \$1,346,000 grant under the Shared Housing Assistance Placement and Support Services (SHAPSS) Program for people with HIV or AIDS. HUD awarded a grant for \$1,346,000 in early October 1999, and on December 14, 1999, the City Council accepted the grant.

**Change of Terms and Conditions for Established Loans:**

Chai House II: New loan documents were executed to cure a monetary default with the sponsor. The new loan consolidated two existing promissory notes, and capitalized accrued interest of \$449,343.96 and escrow costs of \$5,767, which created a new principal balance of \$2,350,112.01. The sponsor is making monthly payments.

**Housing and Homeless Fund:**

Below are the disbursement for the Housing and Homeless Fund.

<u>San Jose Cathedral Foundation</u>	\$15,000.00
<u>The Unity Care Group</u>	\$27,600.00
<u>Concern for the Poor, Inc.</u>	\$5,113.37
<u>AIDS Resource Information and Services (ARIS)</u>	\$8,260.00
<u>Clara-Mateo Alliance</u>	\$40,000.00
<u>Christmas in April South Bay</u>	\$20,000.00
<u>Second Start</u>	\$41,000.00

**Housing Rehabilitation and Improvement Loans and Grants:**

The attached exhibit represents all Housing Rehabilitation Program loans recorded and grants disbursed during this reporting period.

I am available to respond to any questions and can be reached at 277-5817.



Alex Sanchez  
Director of Housing

Attachment

LOANS FUNDED AND GRANTS COMPLETED 1/1/1999 TO 12/31/1999		
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<u>ACTIVITY</u>	<u># PROJECTS</u>	<u>AMOUNT</u>
REHABILITATION LOANS	26	1,503,000.00
REHABILITATION GRANTS	311	1,968,000.00
PAINT GRANTS	694	1,559,000.00
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TOTALS	1,031	5,030,000.00